

§§ 511.3–511.5 [Reserved]

Subpart B—Program Requirements

§ 511.10 Grant requirements.

A rental rehabilitation program shall comply with the following requirements:

(a) *Lower income benefit*—(1) *100 percent benefit standard.* Except as provided in paragraphs (a)(2) and (a)(3) of this section, all rental rehabilitation grant amounts must be used for the benefit of low-income families.

(2) *Reduction to 70 percent benefit standard.* The 100 percent benefit standard will be reduced to 70 percent if the grantee certifies in its Program Description under § 511.20 (or thereafter in a written amendment to its grant agreement) that:

(i) The reduction is necessary to meet one or both of the following objectives:

(A) To minimize the displacement of tenants in projects to be rehabilitated; or

(B) To provide a reasonable margin for error due to unforeseen, sudden changes in neighborhood rent or for other reasonable contingencies;

(ii) A rental rehabilitation program that meets the 100 percent benefit standard cannot be developed; and

(iii) The public has been consulted regarding this inability.

(3) *Reduction to 50 percent benefit standard.* The benefit standard will be reduced to not less than 50 percent only in extraordinary circumstances approved by HUD. Approval may be granted at the request of the grantee before undertaking any project that will have the effect of reducing the benefit for low-income families for the grantee's program below 70 percent, only where HUD determines that a reduction is necessary to meet an important community need and that the net program impact will strongly favor low-income families. Approval may be granted thereafter only where HUD determines that the grantee made reasonable efforts to meet the higher benefit standard, but was unable to do so because of circumstances beyond its control.

(4) *Definition of benefit.* For purposes of this paragraph (a), benefit for low-

income families will be considered to occur only where dwelling units in projects rehabilitated with rental rehabilitation grants are initially occupied by such families after rehabilitation.

(b) *Use of rental rehabilitation grants for housing for families.* (1) Each grantee shall ensure that an equitable share of rental rehabilitation grant amounts will be used to assist in the provision of housing designed for occupancy by families with children, particularly families requiring three or more bedrooms. HUD will assure that on a national basis at least 15 percent of each year's rental rehabilitation grant amounts (excluding those grant amounts expended for administrative costs under § 511.71) are used to rehabilitate units containing three or more bedrooms. HUD reserves the right prospectively to establish three or more bedroom unit targets for individual grantees if the national goal is in danger of not being met, or if HUD finds that a grantee's production of three or more bedroom units is significantly below that of grantees in similar circumstances. In addition, at least 70 percent of each grantee's annual rental rehabilitation grant must be used to rehabilitate units containing two or more bedrooms. HUD may approve a lower percentage standard submitted by the grantee in its Program Description under § 511.20, or thereafter, based on HUD's determination that the lower standard is justified by factors such as a short waiting list of large families requiring assistance or the nature of the housing stock available for rehabilitation.

(2) If a unit of general local government has an ordinance which requires rehabilitation to meet seismic standards, the grantee may use up to the full amount of its annual rental rehabilitation grant for Federal Fiscal Year 1988 and later years (including reallocations under § 511.33(b) of funds for the same fiscal year) without regard to the requirements of paragraph (b)(1) of this section, but only to the extent it uses such grant amounts to rehabilitate projects to meet the seismic standards required by the local ordinance and to the extent these units in the rehabilitated project are initially occupied after rehabilitation by very low income